

Sales tax on books:

Perception of (& effects on) parties concerned

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A presentation made on April 3, 2001 in Karnataka Library Association meeting on the occasion of Government of Karnataka levying 4% sales tax on books for the year 2001-02

Perception of (& effects on) parties concerned

➤ Government

- earn Rs. 24 crores as revenue

➤ Trade

- prices go up & demand comes down (see demand analysis)
- individual purchases are more seriously affected than institutional purchases
- promotion of reading habit receives a blow
- tax evasion is possible

➤ Authors

- back bone for both libraries & trade
- many have dual roles (author-publisher, author-book seller)

➤ Readers

- Almost unconcerned - dissatisfied customers rarely complain in service sector

Perception of (& effects on) parties concerned contd.

➤ Libraries

- **made to acquire less material**
- **may consider buying from outside the state**
 - **from other states (like goods & document registration)**
 - **possibility of direct import**
- **seek proportionate increase in budget (recent cry for library cess amount)**
- **consider charging for services to generate own resources**
 - **pricing policy**
 - > **unable to have full cost pricing**
 - > **nominal pricing has (I) no logic (ii) discourage private competition (iii) no subsidy to support and (IV) make it loss making organisations**
 - **needs marketing of services**
 - **can attract service tax i.e., tax on books lent & documents delivered (like professional tax)**

Book trade

➤ Market

- second largest literate population (after China)
- literate middle class is nearly equals US population
- yet only 25% of sales are to individuals as against 95% in US
- 2% or 18 m read English; English books account for 21% of sales & almost 100% of imported books are in English and mostly from US or UK
- For 1999-2000, it is Rs.3780 crores (\$800 m); Rs. 1050 crores imported (50% from US & 25% from UK)
 - Karnataka Rs. 250 crores with 180-200 crores of text books & hardly 3 to 4 crores of Kannada books
- US-\$12536 m from 10 m books sold from book stores (1997)
- UK- P 2880 m with 60% from paperbacks & average price of P26 (1997)

Book trade contd.

- **Book production**
 - down from 7th in the world in 1960s to 15th (17th) in 1990s
 - third largest for books in English (US & UK have over a lakh titles per year)
 - official estimate is around 22000 titles where as IPA estimates as about 57000 titles with Delhi contributing 25%
- **Publishers & vendors**
 - about 11 200 publishers
 - 3000 are active
 - 1300 are author-publishers
 - 1000 govt. agencies & autonomous bodies (405 in public sector)
 - about 5 lakh book sellers

No. of titles published	No. of publishers
>50	100
10-49	200
<10	2700
Total	300

Demand analysis for books

- as leisure goods, books & journals are durables
- unlike essentials, leisure goods are generally price elastic
- 'consumers are always looking for a good value' & 'price is very important when shopping for books' - IPSOS-NPD 'Book Trend'

A survey revealed that

- there exist lot of alternatives! substitutes to books for leisure spending
- when it comes to income elasticity of demand, books are exceptions and they are inferior goods, i.e., they show -ve income elasticity; almost all other leisure goods are luxury goods with +ve income elasticity
- reading was the most popular leisure activity in industrial era (1888) with 25% recreational expenditure & and the same dropped to 16% in information age (1991)- an MIT study (1997)

Libraries

- per capita expenditure in US is \$36.5
- book circulation through libraries in US equals book sales, but libraries account for < 5% of total book sales
- Bill Gates gave \$ 400 m & said almost every one uses one or more of 16000 branches of public libraries in US
- Andrew Carnige started 2800 libraries
- In karnataka, < 10% of 30000 villages have (2250) libraries
 - membership is 1 to 1.5% of population
 - for every 7 to 15 members there is one book

country	institutional sale as a%
US	5
UK	12
Canada	22
India	75

About the Author

Dr. M. S. Sridhar is a post graduate in Mathematics and Business Management and a Doctorate in Library and Information Science. He is in the profession for last 36 years. Since 1978, he is heading the Library and Documentation Division of ISRO Satellite Centre, Bangalore. Earlier he has worked in the libraries of National Aeronautical Laboratory (Bangalore), Indian Institute of Management (Bangalore) and University of Mysore. Dr. Sridhar has published 4 books, 81 research articles, 22 conferences papers, written 19 course materials for BLIS and MLIS, made over 25 seminar presentations and contributed 5 chapters to books. **E-mail:** sridharmirle@yahoo.com, mirlesridhar@gmail.com, sridhar@isac.gov.in ; **Phone:** 91-80-25084451; **Fax:** 91-80-25084476.

